



COUNTY OF LOS ANGELES

CHIEF INFORMATION OFFICE

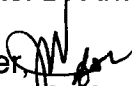
500 WEST TEMPLE STREET
493 HALL OF ADMINISTRATION
LOS ANGELES, CALIFORNIA 90012

JON W. FULLINWIDER
CHIEF INFORMATION OFFICER

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October 3, 2002

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Yvonne Brathwaite Burke, Chair Pro Tem
Supervisor Gloria Molina
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: Jon W. Fullinwider 
(On Behalf of All LACAS Executive Project Directors)

Subject: **REQUEST FOR PROPOSAL (RFP) No.207789 FOR AN ENTERPRISE RESOURCES PLANNING SOLUTION - SOFTWARE AND IMPLEMENTATION SERVICES.**

Attached is a letter we received from IBM dated September 19, 2002, presenting a new pricing proposal for their joint bid with SAP on the Los Angeles County Administrative System (LACAS) Project. IBM sent this letter after we informed IBM and SAP that they were not selected to advance to the contract negotiation phase. The unsolicited bid comes five months after the last day for submission, which was April 15, 2002.

This revised pricing proposal was received after the overall costs for all competing vendor proposals were distributed in presentations to County staff. It is quite possible that IBM and/or SAP have seen the Accenture/PeopleSoft costs and their new proposal is to rectify their proposal's higher cost.

Cost was not the only factor upon which IBM/SAP and the other vendor proposals were evaluated, and ultimately selected to move forward to contract negotiations. The evaluation teams' scoring reflects concerns with the IBM/SAP proposal that contributed to their proposal's lower overall score. These concerns include:

- The implementation approach and plan;

- The proposed implementation team's lack of understanding of the County environment;
- The proposed conversion methodology; and
- The technology of the SAP software.

Even if the IBM/SAP revised cost proposal was accepted and scored, the cumulative point totals would not change the vendor proposal ranking.

The IBM/SAP proposal is in a runner-up position in the evaluation process. In the unlikely event that we would not have a successful contract negotiation with Accenture/PeopleSoft, the highest scoring proposal, the County reserved the right to enter contract negotiations with vendors who submitted lower ranked proposals. All bids remain open as irrevocable offers until April 15, 2003.

JWF:JW:ygd

Attachments

c: Executive Officer, Board of Supervisors
 County Counsel
 Information Systems Commission
 LACAS Executive Project Directors
 (Sharon Harper, Tyler McCauley)



1200 5th Avenue
Seattle, Washington 98101

September 19, 2002

Mr. H. A. Lofton, A.P.P.
Section Manager, Technology Acquisition
Internal Services Department
County of Los Angeles
1100 North Eastern Avenue
Los Angeles, CA 90063

Subject: REQUEST FOR PROPOSAL (RFP) No. 207789 FOR AN ENTERPRISE
RESOURCES PLANNING SOLUTION – SOFTWARE AND IMPLEMENTATION
SERVICES

Dear Mr. Lofton:

IBM and SAP Public Services appreciate the opportunity to respond to the County of Los Angeles' RFP and to participate in your evaluation process. The purpose of this letter is to inform the County of project cost revisions that have a material affect on our response. These cost revisions are due to information that we obtained from the County during the vendor demonstrations and due to recent pricing actions taken by IBM and SAP Public Services. We feel compelled to communicate this information to the County at this time because these cost revisions are so significant. We were not offered the opportunity to communicate these clarifications during the procurement process, as would have been allowed for in Section 4.3.3 of the RFP.

Our new pricing for one-time costs is \$45.33M vs. original one-time costs of \$63.16M. Our new pricing for recurring annual software maintenance costs is \$1.01M vs. original annual maintenance costs of \$3.53M. This new pricing yields combined savings of \$30M over 5 years or \$25M over 3 years, when compared with our original proposed costs. The new pricing for our proposal is detailed below:

	<u>One-Time Costs</u>	<u>Recurring Annual Costs</u>
SAP ERP License	\$ 5.163M	
✓ Financials and HR/Payroll		
✓ Portal Unification Layer		
✓ Database Run Time License – Oracle or IBM DB2		
✓ Training Software		
✓ User based pricing		
SAP ERP Annual Maintenance		\$0.887M
✓ Financials and HR/Payroll		
✓ Portal Unification Layer		
✓ Training Software		
IBM Interface Software License	\$ 0.564M	
IBM Interface Software Annual Maintenance		\$0.125M
✓ First year IBM maintenance included in license fee		
IBM and SAP Services – Financials Implementation	\$39.600M	
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Totals	\$45.327M	\$1.012M

Section 4.3.3 (Phase III: Selection and Evaluation of Vendor Finalists) of the County's RFP provides for a mutual interchange and due diligence process between the County and the vendors, following the vendor demonstrations. This process would result in the issuance of a Request for Clarification (RFC) Memorandum to the vendors that would establish new baseline costs and a revised Statement of Work (SOW), if required.

The process described in Section 4.3.3 is similar to the processes followed by most of our public sector clients in order to obtain the best value response to their RFP's. The most common process is:

1. Issue RFP and evaluate initial responses
2. Select vendor finalists and provide for mutual due diligence process between finalist vendors and client
3. Issue a Request for Clarification (RFC) Memorandum to the finalists based on a due diligence "discovery" process.

Had the County followed the provisions of Section 4.3.3 of the RFP Introduction or a process similar to that of other public sector clients, we would have presented the above revised project costs as part of the due diligence and RFC process. If the County decides to enter into a due diligence and RFC process regarding this RFP, IBM and SAP believe that additional efficiencies, project management clarifications/adjustments, and payment options could be discussed and further tailored to the needs of the County of Los Angeles.

We urge you to meet with us to review these revised project costs and to explore how we might jointly arrive at a best value proposition for the implementation of LACAS. Please let us know at your earliest convenience when we may discuss this critical information with you.

Yours truly,



Barbara M. Read
Government Principal
IBM Global Services
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cc: Mr. Howard Baker, Associate CIO
County of Los Angeles
493 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, CA 90012



COUNTY OF LOS ANGELES
Internal Services Department

1100 North Eastern Avenue
Los Angeles, California 90063



United We Stand

JOAN OUDERKIRK
Director

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October 1, 2002

Ms. Barbara Read
IBM Corporation
1200 5th Avenue
Seattle, WA. 98101

Ms. Peggy Phelps
SAP Public Services.
5 Douglas Court
Novato, CA. 94947

Dear Ms. Read and Ms. Phelps:

LOS ANGELES COUNTY ADMINISTRATIVE SYSTEM (LACAS)
ENTERPRISE RESOURCE PLANNING PROCUREMENT – RFP 207789

We are in receipt of your letter of September 19, 2002. The final date for submittal of Proposals for Bid No: 207789 was April 15, 2002. Your revised pricing was submitted five months after the deadline.


We are preparing to enter into negotiations with the highest ranked vendor. If the County is unable to negotiate an acceptable agreement/contract with the selected proposer or if it appears that a successful negotiation will not occur prior to the expiration of the proposal on 4-15-03, the County may, at its sole discretion, commence concurrent or consecutive negotiation with the next highest ranked vendor (IBM & SAP). At that time, we would be pleased to consider the revised pricing. Accepting revised pricing at this point would affect County policies and procedures and jeopardize the integrity of the competitive procurement process. It is also the opinion of the undersigned that the revised pricing does not fit the category of "clarification".

Also, as a reminder the procurement process is still open, and section 3.8.5 of the LACAS RFP still applies to all prospective vendors. This section states:

"3.8.5 Attempts to contact County elected officials or employees to influence the procurement decision will lead to immediate elimination from further consideration"

In the interest of maintaining the integrity of the contract solicitation process, your continued compliance with criteria outlined in the LACAS RFP is requested.

Very truly yours,


H. A. Lofton, A.P.P.
Section Manager
Technology Acquisitions